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# Dare to Tread

Peter Bartlett facilitates markets in the kind of securities that make even the bravest souls tremble BY VITO ECHEVARRIA

**AS A 23-YEAR-OLD** college kid in the Notting Hill section of London in the late 1980s, Peter Bartlett remembers sitting around his flat watching horrifying BBC news coverage of strife-torn African countries and thinking to himself, "I ought to go there."

Bartlett, an international-affairs buff who tracked rising and falling despots the same way his friends followed soccer, had degrees in history and economics from England's Durham University and was working for Lloyds Bank. Aiming to impress his bosses, he was analyzing ways to recover so-called "lesser-developed country" debts owed to his employers. At the time, the best-case scenarios often involved Nigeria and apartheid South Africa, as well as a number of other "LDC" economies.

In 1989, with his entire professional life ahead of him, Bartlett decided to put himself and his budding career in investment banking on the line: He set out for the dark heart of Africa in search of opportunities. "Probably among the most dangerous places I visited in the late '80s and early '90s were Congo and Nigeria," he says. "There was not only political instability, but an overall climate of corruption. Visitors were often being stopped and detained by government officials looking to extort money."

He made it back to the U.K. in one piece, but his harrowing experiences made for a superb lesson in risk-taking: Always assess the situation for yourself. His travails also helped pave the way for his career as an emerging-markets distressed-debt trader.

Now 44, the CEO of London brokerage Exotix Ltd., Bartlett, along with his team of 10 traders in London (plus two in Buenos Aires and one in Japan), still gravitates toward roads less traveled, trading the most illiquid fixed-income securities in existence for a growing roster of nearly 200 active clients, a hodgepodge of dedicated emerging-market funds, along with an increasing number of local investors, banks and institutions. "Having a specific exotic boutique like [Exotix] with which to trade really



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**FRONTIERSMAN:**  
Exotix's Peter Bartlett  
sees upside potential in  
paper few traders even  
think about touching.

suits us perfectly," says Exotix client Morten Bugge, managing partner of the Denmark-based emerging-markets hedge fund Global Evolution. "I interact with the guys there quite a bit."

Created in 1999 as a joint venture between Bartlett and ICAP ("They were quite instru-

has over the years had a hand in billions of dollars' worth of transactions representing the wildest and outermost frontier markets. In June 2003, the firm pulled off a \$250 million sovereign debt transaction in Iraq. Earlier this year, it completed a \$120 million deal in Yemen. "In

Fidel Castro-era Cuban debt. "Cuba defaulted in 1986, when it announced a moratorium on its debt with Western banks," says Stuart Culverhouse, Exotix's chief economist. "We're mainly trading these loans, but we also look at more recent performing trade-related debts." Trading at around 13 cents on the dollar in 2000, and having gone up and down since then, Cuban paper currently trades in the 14-to-17-cent range. Nicholas Berry, the London multimillionaire who owns Stancroft Trust, has reportedly bought up as much as €148 million worth of Cuban debt instruments. "With an easing of U.S. restrictions, the price of Cuban paper could at least double, but investors may have to wait beyond 2009," Culverhouse adds.

Aside from Cuba, surely the sketchiest market Bartlett has entered is North Korea; he is one of the few international brokers to have spent time in Pyongyang. It turns out that there are credit instruments floating around that were

## ***SAYS ONE BARTLETT COMPETITOR: "FEW KNOW THEIR WAY AROUND FRONTIER MARKETS. HE DOES."***

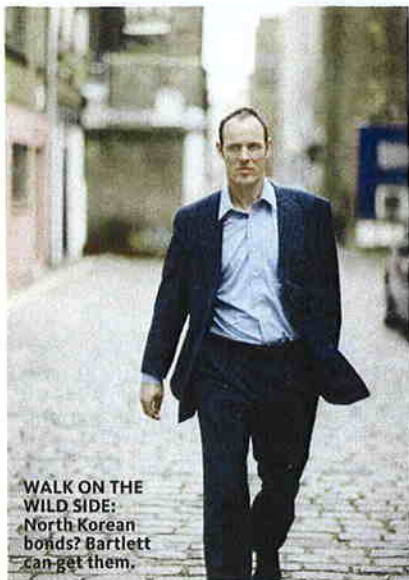
mental in getting the business going, because they provided financial credibility," he says), Exotix is at present 37 percent owned by management, while a private-equity entity, IPGL, controlled by ICAP CEO Michael Spencer, owns 43 percent; ICAP still owns 20 percent. Exotix, which also structures loan and debt issuances,

the rarefied environment of frontier markets, there are relatively few people who know their way around," says Rupert Boyd, head of global sales for London-based Standard Bank (an institutional competitor to Exotix). "Peter Bartlett is certainly one of them."

Of late, Exotix has even been trading illiquid



**GOING UNDERGROUND:**  
As an up-and-coming banker, Bartlett explored forsaken locales in Africa.



tied to four syndicated loans made by Western banks in the 1970s and restructured in the early 1980s before going into default — debt that Exotix also traded. In fact, Bartlett, while working at BNP in March 1997, securitized 777 million deutsche marks of this issue into notes that could be cleared through Euroclear. These notes have since become the North Korean benchmark instruments.

Exotix has also dabbled in debt instruments involving Serbia. In October 2000, shortly before Slobodan Milosevic's exit from power, Bartlett's firm traded the Yugoslavian 1988 New Financing Agreement loans (NFA), which were priced around 15 percent of face. Two and a half years later, it traded them at 95 percent of face. Exotix's clients couldn't complain about the results — after regime change in that Balkan country, investors who had initially bought those loans saw returns of between 100 and 500 percent over the next three years.

Obviously, Bartlett hasn't always traded with such rogue states. A fondness for the far-flung was a profound influence on him when he began to navigate the City scene in the 1990s. "I worked at banks like Lloyds, Morgan Grenfell, Indosuez and BNP," he says, "mainly trading distressed emerging-market debt and structuring, restructuring or securitizing old debt, as there was limited new issuance."

From 1994 to 1997, while he was head of

Eastern European sales at Banque Indosuez, Bartlett had an opportunity to help a then-emerging market, Russia, integrate itself into the world economy. The country was riddled with corrupt oligarchs and mob violence, but Bartlett overcame more than a few challenges to help pioneer the Russian "MinFin" bond market that evolved in the mid-'90s, mainly bonds issued by the Ministry of Finance of the Russian Federation. Much of the paper was tied to the restructuring of Vnesheconombank's debts accumulated after its 1991 bankruptcy. A 1996 recalculation of the country's debts to local Russian entities, as well as Russia's new external and internal foreign-currency debts, resulted in additional MinFin bond tranches (denominated in U.S. dollars), with the total amount of outstanding securities hitting \$7.7 billion. By 1996, the MinFin bond market, thanks in large part to Bartlett's pressure for conformed market practices and better transparency, had become one of the most actively traded debt markets.

By May 1996, Bartlett was working for Banque National de Paris. However, financial upheaval in Asia and Russia in 1997 and 1998 put a chill on the sovereign debt market. The climate of fear within the big banks made Bartlett realize that a golden opportunity existed for a boutique trading firm. With ICAP's support, he launched Exotix in 1999.

"I backed the launch of Exotix because I recognized the opportunity for a niche player

These days, Bartlett and his team have moved on to financing equity deals across the globe, particularly in Africa, which is currently benefiting from debt relief, improved economic policies, a surge in commodity sales (oil especially) and mushrooming trade and investment growth with China and India. In 2006, Exotix set up its own sub-Saharan African stockbroker to give international investors access to these illiquid stock exchanges.

Toward the end of 2007, for example, Exotix helped an emerging West African telecom entity, Ghana Telecom, place \$200 million in an aggregate principal amount of corporate bonds — the first dollar-denominated African corporate bonds to be issued outside of that continent's big players, South Africa and Nigeria.

Earlier this year, meanwhile, Bartlett and his Exotix associates found themselves in Kenya, which endured political upheaval and bloodshed following disputed elections last December. They, along with other curious investors, were there to scout investment opportunities. In the last year, Exotix has organized trips for investors to Ivory Coast, Ghana, Cuba, Nigeria, Malawi and Mauritius — the epitome of exotic locales.

The appearance of Exotix in countries still reeling from war and social unrest has led naysayers to charge that traders like Bartlett are nothing more than exploitative profiteers. Bartlett swats away such criticism. "I have a deeply held conviction that we are a force for good,"

## **EMERGING-MARKET TURMOIL IN 1997-'98 SCARED AWAY BIG BANKS AND OPENED THE DOOR FOR EXOTIX.**

to service institutional investors in illiquid EM debt markets," says Spencer, CEO of ICAP. "The devastation of the Russian crisis, the Asian crisis and subsequent emerging-market meltdown had weakened the investment banks. Therefore, a small specialist broker was ideally placed to capitalize on the high-margin brokerage of a myriad of EM bonds and loans while also building relationships and a strong client base."

he says. "The idea that we exploit the Third World is nonsense. Distressed creditors are the only ones we occasionally benefit from, and they have a choice about whether they want to sell or not."

There's certainly a kernel of truth to that; Bartlett's illiquid-debt brokering services create a market for paper that would otherwise be worthless. Every high-risk creditor needs to have a Plan B. For many, it's Bartlett. ■